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**BEFORE THE ARIZONA CORPORATION COMMISSION**

2001 DEC 11 A 11:12

WILLIAM A. MUNDELL

Chairman

JIM IRVIN

Commissioner

MARC SPITZER

Commissioner

AZ CORP COMMISSION  
DOCUMENT CONTROL

**NEW**

In the matter of:

Ronald Lee Keel

1849 Viola Drive

Sierra Vista, Arizona 85635

Donald Ramey

211 N. 4<sup>th</sup> Street

Sierra Vista, Arizona 85636

Meracana Mining Corporation

1849 Viola Drive

Sierra Vista, Arizona 85635,

Respondents.

) DOCKET NO. S-03418A-01-0000

) **NOTICE OF OPPORTUNITY FOR**  
) **HEARING REGARDING PROPOSED**  
) **ORDER TO CEASE AND DESIST, FOR**  
) **RESTITUTION, FOR ADMINI-**  
) **STRATIVE PENALTIES, AND FOR**  
) **OTHER AFFIRMATIVE ACTION**

**NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents have engaged in acts, practices and transactions, which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*, ("Securities Act").

**I.**

**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, and the Securities Act.

**II.**

**RESPONDENTS**

2. Ronald Lee Keel's ("KEEL") last known address is 1849 Viola Drive Sierra Vista, Arizona 85635.

1           3.     Donald Ramey's ("RAMEY") last known address is 211 N. 4<sup>th</sup> Street, Sierra Vista,  
2 Arizona 85636.

3           4.     Meracana Mining Corporation's ("MERACANA") last known address is 1849 Viola  
4 Drive Sierra Vista, Arizona 85635.

5           5.     MERACANA was incorporated in Arizona in April 1989. MERACANA has a  
6 wholly owned subsidiary by the name of Minera Real, S.A. ("Minera"). Minera was incorporated in  
7 the Central American country of Costa Rica in or about 1992. Minera has issued only eight shares of  
8 stock, all of which are owned by MERACANA. MERACANA conducts all business in Costa Rica  
9 through Minera.

10          6.     KEEL has been the president, director and treasurer of MERACANA since its  
11 incorporation. KEEL attended all directors' meetings and approved the minutes for the meetings.

12          7.     KEEL is the largest shareholder in MERACANA. He currently owns approximately  
13 fifty percent of the outstanding shares.

14          8.     RAMEY has been the vice-president, director and secretary of MERACANA since  
15 its incorporation. RAMEY attended all directors' meetings and approved the minutes for the  
16 meetings. RAMEY signed as secretary of MERACANA all stock certificates issued by the  
17 company. As directors, RAMEY and KEEL informally meet on the average at least two times per  
18 week to discuss operations and business matters pertaining to MERACANA.

19          9.     RAMEY is the second largest shareholder in MERACANA. He currently owns  
20 approximately twenty-four percent of the outstanding shares.

21          10.    MERACANA, and Minera who is not a respondent in this action, will be referred to  
22 collectively as MERACANA.

23          11.    The respondents may be collectively referred to as "RESPONDENTS."

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## III.

## FACTS

12. From approximately May 1992 to April 1999, RESPONDENTS issued, offered for sale, sold, participated in or induced the sale of stock in MERACANA to at least twenty-five investors for a total of \$300,000 or more. Many of these investors were friends and family members of RESPONDENT'S.

13. From approximately September 1993 to January 1998, RESPONDENTS issued, offered for sale, sold, participated in or induced the sale of promissory notes issued by MERACANA to at least eight investors for a total of \$140,000 or more. Many of these investors were friends and family members of RESPONDENTS.

14. In approximately October 1993, MERACANA purchased three exploitation concessions and leased one other exploitation concession in Costa Rica. These exploitation concessions gave MERACANA the right to mine for gold and other minerals on the properties covered by the concessions. The total purchase price paid for these three concessions was approximately \$414,000. The Division does not know how much was paid for the leased concession.

15. Currently, MERACANA owns only one of the original three exploitation concessions purchased and does not hold a lease on any exploitation concession in Costa Rica. The concession that MERACANA still owns is referred to as the "Aguabuena." The Aguabuena was the most expensive concession MERACANA purchased.

16. MERACANA has never started mining operations in Costa Rica on the Aguabuena, or on any exploitation concession it has owned or leased in the past. Likewise, to date, no gold has been mined by MERACANA in Costa Rica.

17. Beginning in approximately 1993, RESPONDENTS attempted to raise at least \$600,000, by issuing stock and promissory notes, to mine for gold on the exploitation concessions it owned and leased in Costa Rica. RESPONDENTS drafted a project report that was distributed to

1 most if not all of the investors in MERACANA. According to the project report, once funding was  
2 received, mining was to begin on the Aguabuena concession and then sampling, development and  
3 finally production would start on the other concessions. The project report included the projected  
4 expenses and profits for mining some of the concessions and showed how mining would proceed in  
5 phases with each phase being more profitable. The last phase of mining on the Aguabuena  
6 concession showed a projected net profit of over \$24,000,000.

7 18. The project plan distributed to investors included material misstatements and  
8 omissions. These material misstatements and omissions were not rectified with investors before they  
9 invested. The project report claimed that the Costa Rican Department of Geology and Mines had  
10 certified proven reserves of 7,500 kilograms of gold on the Aguabuena concession. The Costa Rican  
11 Department of Geology and Mines never certified proven reserves of gold on the Aguabuena. The  
12 Costa Rican Department of Geology and Mines only accepted the estimated reserves of gold on the  
13 Aguabuena concession reported to it by a geologist. No financial statements, i.e., balance sheet and  
14 income statement, were disclosed in the project report or provided to investors. The cost to purchase  
15 the three exploitation mining concessions in Costa Rica and the cost of leasing a mining exploitation  
16 concession in Costa Rica were not disclosed in the project report or provided to investors. No  
17 disclosure of the risks of gold mining, particularly in Costa Rica, were ever made to investors.

18 19. In addition, no disclosure was made to investors that in October 1995, KEEL signed a  
19 loan agreement jointly with his spouse and on behalf of MERACANA by which he could take cash  
20 advances from MERACANA funds. The cash advances were treated as loans by the corporation to  
21 KEEL and his wife. The cash advances bore interest at the rate of 8.5% and were to be repaid from  
22 future dividends by MERACANA. From approximately October 1995 to the present, KEEL  
23 received cash advances of at least \$50,000 from MERACANA in accordance with this agreement.  
24 KEEL has not repaid any of these cash advances.

25 20. Furthermore, no disclosure was made to investors that their money might be used for  
26 uses other than mining operations in Costa Rica in that it might be loaned to one or more persons

1 through an unsecured loan. In or about January 1996, MERACANA loaned John Ebdon at least  
2 \$12,500 on an unsecured basis. The Commission entered an Order on May 4, 2000, for \$4.2 million  
3 dollars against John Ebdon and two other respondents in S-03375A, Decision No. 62509, for  
4 securities fraud. Although Mr. Ebdon did eventually repay the loan, the money was at risk while the  
5 loan was outstanding.

6 **IV.**

7 **VIOLATION OF A.R.S. § 44-1841**

8 **(Offer or Sale of Unregistered Securities)**

9 21. From in or about May 1992, RESPONDENTS offered or sold securities in the form  
10 of stocks, notes, evidence of indebtedness, and investment contracts, within or from Arizona.

11 22. The securities referred to above were not registered pursuant to the provisions of  
12 Articles 6 or 7 of the Securities Act.

13 23. This conduct violates A.R.S. § 44-1841.

14 **V.**

15 **VIOLATION OF A.R.S. § 44-1842**

16 **(Transactions by Unregistered Dealers or Salesmen)**

17 24. RESPONDENTS offered or sold securities within or from Arizona, while not  
18 registered as dealers or salesmen pursuant to the provisions of Article 9 of the Securities Act.

19 25. This conduct violates A.R.S. § 44-1842.

20 **VI.**

21 **VIOLATION OF A.R.S. § 44-1991**

22 **(Fraud in Connection with the Offer or Sale of Securities)**

23 26. In connection with the offer or sale of securities within or from Arizona,  
24 RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii)  
25 made untrue statements of material fact or omitted to state material facts which were necessary in  
26 order to make the statements made not misleading in light of the circumstances under which they

1 were made; or (iii) engaged in transactions, practices or courses of business which operated or would  
2 operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is  
3 not limited to, the following:

4 a) Misrepresented to investors that the Costa Rican Department of Geology and  
5 Mines had certified proven reserves of 7,500 kilograms of gold on the Aguabuena concession when  
6 the Costa Rican Department of Geology and Mines never certified proven reserves on this  
7 concession but only accepted the reported reserves of gold on the concession.

8 b) Failed to disclose to investors financial statements, i.e., balance sheet and income  
9 statement. Since financial statements were not disclosed, investors could not ascertain the financial  
10 condition of MERACANA.

11 c) Failed to disclose to investors the cost to purchase the three exploitation mining  
12 concessions in Costa Rica and the cost of leasing a mining exploitation in Costa Rica.

13 d) Failed to disclose to investors the risk of gold mining, particularly in Costa Rica.

14 e) Failed to disclose to investors that KEEL was taking cash advances from  
15 MERACANA'S funds, the sum of the cash advances which increased to at least \$50,000, that the  
16 cash advances were to be repaid from future dividends by MERACANA and that none of the cash  
17 advances had been repaid by KEEL.

18 f) Failed to disclose to investors that their money might not be used for mining  
19 operations in Costa Rica and that it might be loaned to one or more individuals through an unsecured  
20 loan.

21 27. This conduct violates A.R.S. § 44-1991.

22 28. KEEL and RAMEY directly or indirectly controlled MERACANA within the  
23 meaning of A.R.S. § 44-1999. Therefore, KEEL and RAMEY are liable to the same extent as  
24 MERACANA for its violations of A.R.S. § 44-1991.

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**VII.**

**A.R.S. § 44-2003(A)**

**(Joint and Several Liability)**

29. All RESPONDENTS made, participated in or induced the unlawful sale of securities within the meaning of A.R.S. § 44-2003(A). Therefore, all RESPONDENTS are jointly and severally liable for the above violations of A.R.S. § 44-1841, A.R.S. § 44-1842 and A.R.S. § 44-1991.

**VIII.**

**REQUESTED RELIEF**

The Division requests that the Commission grant the following relief against RESPONDENTS:

1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and,
4. Order any other relief that the Commission deems appropriate.

**IX.**

**HEARING OPPORTUNITY**

RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. A request must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. Each RESPONDENT must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,

1 Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet form and  
2 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's  
3 Internet web site at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

4 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin  
5 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the  
6 parties, or ordered by the Commission. If a request for a hearing is not timely made, the Commission  
7 may, without a hearing, enter an order against each RESPONDENT granting the relief requested by  
8 the Division in this Notice of Opportunity for Hearing.

9 Persons with a disability may request a reasonable accommodation such as a sign language  
10 interpreter, as well as request this document in an alternative format, by contacting Shelly M.  
11 Hood, ADA Coordinator, voice phone number 602/542-3931, e-mail [shood@cc.state.az.us](mailto:shood@cc.state.az.us).  
12 Requests should be made as early as possible to allow time to arrange the accommodation.

13  
14 Dated this 11<sup>th</sup> day of December, 2001.

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17 Mark Sendrow  
18 Director of Securities  
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# Memorandum

**DATE:** December 11, 2001

**TO:** Nancy Cole  
Docket Control

**FROM:** Jerry Lowe *JL*  
Securities Division

**RE:** In the matter of Ronald Lee Keel, Donald Ramey and  
Meracana Mining Corporation  
Docket No. S-03418A-01-0000  
Assigned Staff

**CC:** Mabel Aldridge

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This is to notify you that the following individuals have been assigned to the above-mentioned case.

- ☒ Mark Sendrow
- ☐ LeRoy Johnson
- ☒ Matthew Neubert

Anthony Bingham (Staff Attorney)

Jerry Lowe (Staff Investigator)

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**Note:** The Assistant Attorney General assigned to this matter is: Moira McCarthy.